

United States District Court
Central District of California

DAVID RATH and KARA WELKER,

Plaintiffs,

v.

DEFY MEDIA, LLC, a Delaware limited liability company; MATTHEW DIAMOND, an individual; KEITH RICHMAN, an individual; and DOES 1 through 20, inclusive,

Defendants.

Case No. 2:18-cv-09624-ODW (RAOx)

**ORDER GRANTING PLAINTIFF’S
MOTION FOR DEFAULT
JUDGMENT AGAINST DEFY
MEDIA, LLC [18]**

I. INTRODUCTION

Presently before the Court is Plaintiffs David Rath and Kara Welker’s (“Plaintiffs”) Motion for Default Judgment (“Motion”) against Defendant Defy Media, LLC (“Defy Media”). (ECF No. 18.) For the following reasons, the Court **GRANTS** Plaintiffs’ Motion for Default Judgment and awards Plaintiffs **\$100,000**.¹

¹ After carefully considering the papers filed in connection with the Motion, the Court deemed the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; C.D. Cal. L.R. 7-15.

II. BACKGROUND

Plaintiffs owned and operated Generate Holdings, Inc. (“Generate”), a talent agency in which they managed clients. (Compl. ¶ 10, ECF No. 1.) Generate placed its clients in entertainment and commercial projects and collected the revenues due to the clients. (*Id.*) Plaintiffs placed the funds owed to the clients into a segregated and protected client trust account. (*Id.*) Plaintiffs allege at some point in 2011, AdGen, LLC, a wholly owned subsidiary of Alloy Digital, LLC, purchased Generate. (*Id.* ¶ 11.) Approximately two years later, Alloy Digital, LLC merged into the entity Defy Media, LLC. (*Id.* ¶ 12.) Plaintiffs allege that as a result of the merger, Defy Media assumed the obligations set forth under Plaintiffs’ respective Employee Covenants Agreement and Equity Incentive Letter Agreement. (*Id.*) Defy Media personnel assumed certain accounting functions Plaintiffs performed, including the collection of Plaintiffs’ client revenue and management fees. (*Id.* ¶ 14.)

In 2017, Plaintiffs discussed with Defy Media through its agents, Defendants Matthew Diamond (“Diamond”) and Keith Richman (“Richman”), the possibility of extricating Generate from Defy Media so that Plaintiffs could operate Generate independently. (*Id.* ¶ 15.) Diamond is Defy Media’s CEO, and Richman is Defy Media’s President. (*Id.* ¶¶ 4–5.) Both are alleged to be the principal, agent, or employee of Defy Media and to have acted within the scope of that relationship at all relevant times. (*Id.* ¶ 7.) Defendants² assured Plaintiffs that they were working to extricate Generate but needed more time to ensure a smooth transition. (*Id.* ¶ 16.) Defendants promised to pay Plaintiffs additional compensation through 2018, totaling at least \$100,000, to incentivize Plaintiffs to remain with Defy Media until an exit strategy materialized. (*Id.*) Plaintiffs allege that Defendants made these representations knowing that it did not intend to help Plaintiffs extricate Generate nor pay Plaintiffs the increased compensation they promised, and that Defendants

² Defy Media, LLC, Diamond, and Richman are collectively referred to as “Defendants.”

1 purposefully kept Plaintiffs in the dark about the true state of its business operations.
2 (*Id.* ¶ 17.) This was because Defendants wanted Plaintiffs and Generate’s revenue
3 under Defy Media’s umbrella for as long as possible to artificially inflate its account.
4 (*Id.* ¶¶ 17, 21, 22.)

5 Without notice, Defendants notified Plaintiffs that Defy Media was ceasing all
6 operations on November 6, 2018. (*Id.* ¶ 19.) Plaintiffs were required to continue
7 servicing their clients without infrastructure or equipment, while Defy Media
8 continued to hold around \$200,000 that was due to Plaintiffs’ clients. (*Id.* ¶ 20.)
9 Defendants did not place this money into a separate client trust account but rather in
10 Defy Media’s general operating account. (*Id.*)

11 As a result of Defendants’ fraudulent conduct, Plaintiffs are seeking \$100,000
12 in compensatory damages, \$300,000 in punitive damages, as well as recovery of
13 Generate’s email server and its contents, the telephone numbers associated with
14 Generate, and all trademarks and copyrights pertaining to the Generate trade name and
15 logos. (Mot. 9–11.)

16 Plaintiffs filed their Complaint on November 14, 2018. (*See generally* Compl.)
17 Defy Media was served pursuant to Federal Rule of Civil Procedure 4(e) on
18 November 27, 2018. (Proof of Service, ECF No. 12.) After Defy Media’s failure to
19 answer the Complaint, Plaintiffs filed a Request to Enter Default against Defy Media
20 on December 20, 2018. (Req. for Entry of Default, ECF No. 15.) The Clerk entered
21 default against Defy Media on December 21, 2018. (ECF No. 17.) Plaintiffs moved
22 for default judgment on April 5, 2019. (Mot.)

23 **III. LEGAL STANDARD**

24 Pursuant to Federal Rule of Civil Procedure (“Fed. R. Civ. P.”) 55(b), a court
25 may grant default judgment after the Clerk enters default under Rule 55(a). *See*
26 *PepsiCo Inc., v. Cal. Security Cans*, 238 F. Supp. 2d 1172, 1174 (C.D. Cal. 2002). A
27 district court has discretion whether to enter default judgment. *Aldabe v. Aldabe*, 616
28 F.2d 1089, 1092 (9th Cir. 1980). In exercising its discretion, a court must consider

1 several factors, including: the possibility of prejudice to plaintiff; the merits of
2 plaintiff's substantive claim; the sufficiency of the complaint; the sum of money at
3 stake; the possibility of a dispute concerning material facts; whether the defendant's
4 default was due to excusable neglect; and the strong policy underlying the Federal
5 Rules of Civil Procedure favoring decisions on the merits. *Eitel v. McCool*, 782 F.2d
6 1470, 1471–72 (9th Cir. 1986).

7 Upon default, the defendant's liability generally is conclusively established, and
8 the well-pleaded factual allegations in the complaint are accepted as true. *Televideo*
9 *Sys., Inc. v. Heidenthal*, 826 F.2d 915, 917–19 (9th Cir. 1987) (per curiam) (citing
10 *Geddes v. United Fin. Grp.*, 559 F.2d 557, 560 (9th Cir. 1977)). If the allegations
11 sufficiently establish liability, the court must then determine the “amount and
12 character” of the relief that should be awarded. *Elektra Entm't Grp. Inc. v. Crawford*,
13 226 F.R.D. 388, 394 (C.D. Cal. 2005).

14 IV. DISCUSSION

15 A. Procedural Requirements

16 Before a court can enter default judgment, the requesting party must satisfy the
17 procedural requirements set forth in Fed. R. Civ. P. 55, as well as the Local Rules of
18 this district. *PepsiCo*, 238 F. Supp. 2d at 1174. Central District of California Local
19 Rule 55-1 requires the movant to submit a declaration establishing: (1) when and
20 against whom the default was entered; (2) identification of the pleading to which
21 default was entered; (3) whether the defaulting party is a minor, an incompetent
22 person, or exempt under the Servicemembers Civil Relief Act; and (4) that the
23 defaulting party was served with notice, if required by Fed. R. Civ. P. 55(b)(2). *Vogel*
24 *v. Rite Aid Corp.*, 992 F. Supp. 2d 998, 1006 (C.D. Cal. 2014); C.D. Cal. L.R. 55-1.

25 In accordance with Fed. R. Civ. P. 55 and Local Rule 55-1, the Court finds that
26 the procedural requirements are satisfied. The Clerk of the Court entered default
27 against Defy Media on December 21, 2018. (ECF No. 17.) The default was entered
28 as requested by Plaintiffs as to their November 14, 2018 Complaint. (ECF No. 15.)

1 Defy Media is neither a minor nor an incompetent person, and is not exempt under the
2 Servicemembers Civil Relief Act. (Decl. of Peter D. Scott in Supp. of Pls.’ Req. for
3 Entry of Default ¶¶ 5–6, ECF No. 15-1.) Finally, Defy Media has not appeared in this
4 action, and as such, notice of default judgment is unnecessary under Rule 55(b)(2), as
5 referenced by Local Rule 55-1(e). (*Id.* ¶ 3–4.) Accordingly, the Court finds that
6 Plaintiffs have complied with all procedural requirements.

7 **B. Plaintiffs’ Motion for Default Judgment**

8 The Court finds that the *Eitel* factors favor default judgment. The Court will
9 address each factor in turn.

10 **1. First *Eitel* Factor: Plaintiffs Would Suffer Prejudice if Default is** 11 **Not Entered**

12 The first *Eitel* factor considers whether Plaintiffs will suffer prejudice if default
13 judgment is not entered. *PepsiCo*, 238 F. Supp. 2d at 1177. When a defendant fails to
14 appear and defend the claims against it, the plaintiff would be without recourse and
15 suffer prejudice unless default judgment is entered. *Id.*

16 Given Defy Media’s failure to defend this suit, Plaintiffs would be prejudiced if
17 denied a remedy against Defy Media. As a result, the first *Eitel* factor weighs in favor
18 of entering default judgment.

19 **2. Second and Third *Eitel* Factors: Plaintiffs’ Claims are** 20 **Meritorious and Sufficiently Pleaded**

21 The second and third *Eitel* factors address the merits and sufficiency of
22 Plaintiffs’ claims pleaded in the Complaint. *Eitel*, 782 F.2d at 1471–72. Plaintiffs are
23 only seeking default judgment for the causes of action as to Defy Media and intend to
24 dismiss the Fifth Cause of Action for Negligence and Seventh Cause of Action for
25 Equitable and/or Implied Indemnity without prejudice. (Mot. 9.)

26 **i. First Cause of Action: Fraud**

27 Under California law, the elements of fraud consist of the following: (1) a
28 misrepresentation (false representation, concealment, or nondisclosure); (2)

1 knowledge of falsity; (3) intent to defraud, (i.e., to induce reliance); (4) justifiable
2 reliance; and (5) resulting damage. *Lazar v. Superior Court*, 12 Cal. 4th 631, 638
3 (1996). Under Fed. R. Civ. P. 9(b), a claim of fraud must be pleaded with
4 particularity, although malice, intent, knowledge, and other conditions of a person's
5 mind may be alleged generally. *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S.
6 308 (2007). A plaintiff sufficiently pleads a claim of fraud by setting forth the "who,
7 what, when, where, and how" of the misconduct. *U.S. ex rel. Cafasso v. Gen.*
8 *Dynamics C4 Sys.*, 637 F.3d 1047, 1055 (9th Cir. 2011).

9 Here, Defy Media, through Diamond and Richman, intentionally
10 misrepresented assurances to Plaintiffs to delay Plaintiffs from leaving Defy Media's
11 umbrella of companies. (Compl. ¶ 17; Declaration of David Rath in support of
12 Motion for Def. J. ("Rath Decl.") ¶ 11; Declaration of Kara Welker in support of
13 Motion for Def. J. ("Welker Decl.") ¶ 12.) Beginning in approximately 2017,
14 Defendants told Plaintiffs that it was working on a plan to extricate Generate to help
15 Plaintiffs achieve their goal of operating their business independently, but that it
16 needed a bit more time to ensure smooth transition. (Compl. ¶¶ 15–16.) Defendants
17 assured Plaintiffs that it was putting together the financial information that Plaintiffs
18 requested, and that it would pay Plaintiffs increased compensation through the end of
19 2018 totaling at a minimum of \$100,000. (*Id.*; Welker Decl. ¶ 10.)

20 Plaintiffs justifiably relied on Defendants' representations to their detriment, as
21 they delayed their departure from Defy Media's umbrella of companies based on
22 Defendants' statements. (Compl. ¶ 17–18; Rath Decl. ¶ 9; Welker Decl. ¶ 10.) Had
23 Plaintiffs received the requested financial information, they would have discovered
24 the true state of Defy Media's business and departed from Defy Media earlier. (*Id.*)
25 Plaintiffs have suffered from Defendants' fraudulent misrepresentations because the
26 promised compensation has not been paid, and Defy Media continues to hold onto
27 approximately \$200,000 due to Plaintiffs' clients. (Compl. ¶ 20; Rath Decl. ¶ 12;
28 Welker Decl. ¶ 13.) Plaintiffs were forced to continue servicing their clients upon

1 Defy Media’s sudden shutdown by paying out of their own pocket. (*Id.*) As such,
2 Plaintiffs have sufficiently pleaded with particularity a meritorious claim of fraud.
3 *See Burtscher v. Moore*, No. 11-02309 DMG, 2013 WL 121267761, at *1–9 (C.D.
4 Cal. May 10, 2013) (holding that the plaintiffs established a fraud claim where they
5 alleged the defendants misrepresented facts of an agreement with no intention to
6 perform, and that the plaintiffs were induced to enter into the agreement and were
7 damaged as a result).

8 **ii. Second Cause of Action: Breach of Oral Agreement**

9 To prove breach of contract, a plaintiff must establish: (1) the existence of a
10 contract; (2) his or her performance of the contract or excuse for nonperformance; (3)
11 the defendant’s breach; and (4) damages. *West Realty, LLC v. Goldman*, 51 Cal. 4th
12 811, 821 (2011). The elements of a breach of oral contract are the same as those for a
13 breach of written contract. *Stockton Mortg., Inc. v. Tope*, 233 Cal. App. 4th 437, 453
14 (2014). However, the oral contract at issue must be analyzed to determine whether it
15 runs afoul of the statute of frauds.

16 **a. Statute of Frauds**

17 California Civil Code section 1624(a) states that “[a]n agreement that by its
18 terms cannot be performed within a year from the making thereof [is] . . . invalid
19 unless [the agreement], note or memorandum is in writing and subscribed to the party
20 to be charged or by his agent.” Cal. Civ. Code § 1624(a). The California Supreme
21 Court has ruled the applicability of the statute of frauds must be analyzed
22 prospectively, based on the intentions of the parties and the terms of the agreement at
23 the time it is made. *Foley v. Interactive Data Corp.*, 765 P.2d 373, 383 n.18 (Cal.
24 1988). However, given that the agreement was initially negotiated sometime in 2017,
25 and was expected to run through 2018, it appears that the contract could not be
26 completed in one year, and as such, the oral contract falls within the statute of frauds.
27 Thus, absent exception the oral contract is invalid.
28

1 California Commercial Code § 1103(b) states, “Unless displaced by the
2 particular provisions of this code, the principles of law and equity, including . . .
3 estoppel . . . supplement its provisions.” Thus, estoppel provides “one further
4 exception to imposition of the statute of frauds.” *Allied Grape Growers v. Bronco*
5 *Wine Co.*, 203 Cal. App. 3d 432, 442 (1988). The California Supreme Court has
6 explained the doctrine as follows:

7 The doctrine of estoppel to assert the statute of frauds has been
8 consistently applied by the courts of this state to prevent fraud that would
9 result from refusal to enforce oral contracts in certain circumstances.
10 Such fraud may inhere in the unconscionable injury that would result
11 from denying enforcement of the contract after one party has been
12 induced by the other seriously to change his position in reliance on the
13 contract or in the unjust enrichment that would result if a party who has
14 received the benefits of the other’s performance were allowed to rely
15 upon the statute.

16 *Monarco v. Lo Greco*, 35 Cal. 2d 621, 623–24 (1950) (internal citations omitted).
17 Thus, to invoke promissory estoppel as an exception to the statute of frauds, the
18 plaintiff must establish one or both of the following: (i) the plaintiff, in reliance on an
19 oral agreement, has “*seriously*” changed its position such that “*unconscionable injury*
20 would result from denying enforcement of the oral contract”; and/or (ii) the defendant,
21 having accepted the benefits under the oral contract, would be unjustly enriched by
22 non-enforcement. *Isaac v. A&B Loan Co.*, 201 Cal. App. 3d 307, 313 (1988)
23 (emphasis in original).

24 Here, both requisite conditions are met, because Plaintiffs changed positions
25 and lost substantial financial gains by remaining within Defy Media’s umbrella due to
26 promised compensation, and permitting Defy media to retain ill-gotten gains is
27 tantamount to unjust enrichment. Accordingly, the estoppel exception to the statute of
28 frauds applies, and the oral contract is enforceable.

Having determined that the oral contract is enforceable, the Court continues its
contractual analysis. Under California law, “a contract will be enforced if it is
sufficiently definite for the court to ascertain the parties’ obligations and to determine

1 whether those obligations have been performed or breached.” *Rockridge Tr. v. Wells*
2 *Fargo, N.A.*, 985 F. Supp. 2d 1110, 1143 (N.D. Cal. 2013). Here, Plaintiffs had an
3 oral agreement with Defy Media indicating it would pay Plaintiffs increased
4 compensation and bonuses through the end of 2018 totaling at least \$100,000 to
5 incentivize Plaintiffs to remain with Defy Media longer while an exit plan was
6 arranged. (Compl. ¶ 16; Welker Decl. ¶ 10.) Plaintiffs’ acceptance of this agreement
7 is reflected by their remaining with Defy Media until its sudden cessation of business
8 operations in November 2018. (Compl. ¶¶ 18–19; Rath Decl. ¶¶ 9–10; Welker Decl.
9 ¶¶ 10–11.)

10 Defy Media breached the contract by neglecting to pay Plaintiffs the agreed
11 upon increased compensation and bonuses. (Rath Decl. ¶¶ 11; Welker Decl. ¶¶ 12.)
12 Defy Media’s breach resulted in damage to Plaintiffs who have not received the
13 consideration it agreed to provide in exchange for Plaintiffs’ performance. (*Id.*)
14 Accordingly, Plaintiffs have sufficiently pleaded a meritorious claim for breach of oral
15 contract. *See Comercializadora Recmaq Limitada v. Hollywood Auto Mall, LLC*, No.
16 12-0945 AJB (MDD), 2013 WL 2248140, at *6 (S.D. Cal. May 20, 2013) (upholding
17 a claim for breach of oral contract where the plaintiff alleged an oral contract existed,
18 the plaintiff performed his obligations under it, and the defendant breached).

19 **iii. Fourth Cause of Action: Breach of the Implied Covenant of**
20 **Good Faith and Fair Dealing**

21 The implied covenant of good faith and fair dealing exists in every contract,
22 and exists to prevent one party from unfairly frustrating the other party’s rights to
23 receive the benefits of the agreement. *Patriot Sci. Corp. v. Korodi*, 504 F. Supp. 2d
24 952, 963 (C.D. Cal. 2007). A breach of implied covenant involves something more
25 than breach of the contractual duty itself. *Careau & Co. v. Sec. Pac. Bus. Credit, Inc.*,
26 222 Cal. App. 3d 1371, 1394 (1990). “If the allegations do not go beyond the
27 statement of a mere contract breach and, relying on the same alleged acts, simply seek
28 the same damages or other relief already claimed in a companion contract cause of

1 action, they may be disregarded as superfluous as no additional claim is actually
2 stated.” *Id.* at 1395. There are three exceptions to this rule: (1) where a breach of a
3 consensual contract claim is not alleged, (2) where the plaintiff is seeking recovery in
4 tort, and (3) where the plaintiff alleges that the defendant acted in bad faith to frustrate
5 the contract’s benefits. *Celador Int’l Ltd. v. Walt Disney Co.*, 347 F. Supp. 2d 846,
6 852 (C.D. Cal. 2004) (citations omitted).

7 Here, the third exception applies. Plaintiffs allege that Defy Media not only
8 breached the oral contract, but also that it took actions in bad faith to frustrate the
9 benefits of the contract. Specifically, Plaintiffs claim that Defy Media intentionally
10 delayed its performance under the parties’ agreement. Defy Media then suddenly and
11 without prior notice completely ceased its business operations, depriving Plaintiffs of
12 the benefit of the contract—namely, the \$100,000 it promised to pay Plaintiffs.
13 (Compl. ¶¶ 17, 19–21; Rath Decl. ¶¶ 10–11; Welker Decl. ¶¶ 11–12.) Accordingly,
14 this Court finds that Plaintiffs have sufficiently pleaded a meritorious claim for breach
15 of the covenant of good faith and fair dealing. *See Walt Disney Co.*, 347 F. Supp. 2d
16 at 853 (holding that a plaintiff’s claim of the implied covenant of good faith and fair
17 dealing is distinguished from and not superfluous to a breach of contract claim if the
18 defendant’s actions “allegedly taken in bad faith, frustrated the *actual* benefits of the
19 contract”).

20 **iv. Sixth Cause of Action: Accounting**

21 “An accounting is a ‘species of disclosure, predicated upon the plaintiff’s legal
22 inability to determine how much money, if any, is due.’” *Teselle v. McLoughlin*, 173
23 Cal. App. 4th 156, 180 (2009). A plaintiff establishes a sufficient claim for
24 accounting by alleging (1) the existence of a relationship which requires an
25 accounting, and (2) that some unascertained balance is owed. *Id.* at 179; *Whann v.*
26 *Doell*, 192 Cal. 680, 684 (1923).

27 Here, Plaintiffs allege a relationship sufficient to satisfy the first element of the
28 cause of action. *Teselle*, 173 Cal. App. 4th at 179 (stating that a right to an accounting

1 can exist solely from possession by the defendant of money which, because of the
2 parties' relationship, the defendant is obliged to surrender). Specifically, as Plaintiffs
3 and Generate operated under Defy Media's umbrella, Defy Media assumed
4 accounting functions including the collection of fees generated by Plaintiffs' clients
5 and the remittance of those fees to the clients after deducting management fees.
6 (Compl. ¶ 14; Rath Decl. ¶ 6; Welker Decl. ¶ 6.) Therefore, a relationship existed in
7 which Defy Media possessed and managed Plaintiffs' money on behalf of Plaintiffs'
8 clients. The second element of the cause of action is satisfied as Plaintiffs have
9 alleged that Defy Media collected and dispersed fees and earnings generated by their
10 clients during the five years Plaintiffs operated under Defy Media's umbrella. (*Id.*)
11 Accordingly, the Court finds that Plaintiffs have sufficiently pleaded a meritorious
12 claim for an accounting, and the second and third *Eitel* factors weigh in favor of
13 granting default judgment on all causes of action against Defendant Defy Media.

14 **3. Fourth *Eitel* Factor: The Sum of Money at Stake Weighs in Favor** 15 **of Default Judgment**

16 The fourth *Eitel* factor balances "the amount of money at stake in relation to the
17 seriousness of the [d]efendant's conduct." *PepsiCo*, 238 F. Supp. 2d at 1176. Stated
18 otherwise, the Court is required to assess whether the recovery sought is proportional
19 to the harm caused by Defy Media's conduct. *Landstar Ranger, Inc. v. Parth Enters.,*
20 *Inc.*, 725 F. Supp. 2d 916, 921 (C.D. Cal. 2010).

21 Here, Plaintiffs seek \$100,000 in compensatory damages, equitable relief for
22 the transfer of ownership of Generate assets, as well as \$300,000 in punitive damages.
23 (Mot. 9–10.) While the compensatory damages are proportional to the harm caused,
24 the Court declines to award equitable relief and punitive damages for the reasons
25 discussed below. Therefore, the fourth *Eitel* factor presents no barriers to default
26 judgment in this case.

27 **4. Fifth *Eitel* Factor: There is No Possibility of Disputed Fact**

28 The fifth *Eitel* factor examines whether material facts are disputed. *Eitel*, 782

1 F.2d at 1471–72. “Upon entry of default, all well-pleaded facts in the complaint are
2 taken as true, except those relating to damages.” *Television Sys., Inc. v. Heidenthal*,
3 826 F.2d 915, 917–18 (9th Cir. 1987).

4 Here, because Defy Media defaulted, Plaintiffs’ facts supporting their claims
5 are undisputed. Accordingly, the fifth *Eitel* factor favors entry of default judgment.

6 **5. Sixth *Eitel* Factor: The Defendant’s Default is Not Due to**
7 **Excusable Neglect**

8 The sixth *Eitel* factor considers whether Defy Media’s default was due to
9 excusable neglect. *Eitel*, 782 F.2d at 1471–72.

10 Here, Defy Media was properly served through its registered agent according to
11 Fed. R. Civ. P. 4(e) on November 27, 2018, and the Proof of Service was filed with
12 the Court. (ECF No. 12.) Thus, the possibility of excusable neglect is remote.
13 Accordingly, the sixth *Eitel* factor favors entry of default judgment.

14 **6. Seventh *Eitel* Factor: Policy for Deciding on the Merits Does Not**
15 **Preclude Default Judgment**

16 Finally, the seventh *Eitel* factor reflects the policy that “cases should be decided
17 upon their merits whenever reasonably possible.” *Eitel*, 782 F.2d at 1472. However,
18 “a decision on the merits [is] impractical, if not impossible” when a defendant fails to
19 answer the plaintiff’s complaint. *PepsiCo Inc.*, 238 F. Supp. 2d at 1177.

20 Here, a decision on the merits is not possible since Defy Media did not respond
21 to the Complaint. Accordingly, the seventh *Eitel* factor favors entry of default
22 judgment.

23 Since the *Eitel* factors weigh in favor of granting default judgment, Plaintiffs
24 are entitled to default judgment against Defy Media.

25 **C. Relief Sought**

26 Having determined that Plaintiffs are entitled to default judgment, the Court
27 turns to Plaintiffs’ measure of relief. As stated in Fed. R. Civ. P. 55(b), well-pleaded
28 allegations in the complaint are taken as true, except for those allegations relating to

1 damages. *Geddes v. United Fin. Group*, 559 F.2d 557, 560 (9th Cir. 1977).
2 Therefore, while a party's default establishes its liability on sufficiently-pleaded
3 claims, it does not establish the amount of damages. *Id.* Plaintiffs request: (1)
4 \$100,000 in compensatory damages; (2) ownership transfer of all of Generate's
5 membership interests, assets, trademarks, email servers, internet domain names, and
6 telephone numbers; and (3) \$300,000 in punitive damages. (Mot. 9–10.) The Court
7 addresses each request in turn.

8 **i. Compensatory Damages**

9 In determining the compensatory damages that a plaintiff may recover, “[t]he
10 aim is to put the injured party in as good a position as he or she would have been had
11 performance been rendered as promised.” *Kashmiri v. Regents of Univ. of Cal.*, 156
12 Cal. App. 4th 809, 848 (Ct. App. 2007).

13 Plaintiffs seek \$100,000 in compensatory damages for fraud, breach of contract,
14 and breach of good faith and fair dealing. The amount requested is reasonable in this
15 instance. The evidence sufficiently demonstrates that Defy Media, through
16 Defendants Diamond and Richman, promised to pay Plaintiffs increased
17 compensation through the end of 2018, totaling at a minimum \$100,000 in
18 consideration for Plaintiffs' continued business relationship with Defy Media.
19 (Compl. ¶ 16; Welker Decl. ¶ 10.) The Court finds that Plaintiffs are entitled to
20 \$100,000 in damages for their causes of action for fraud, breach of contract, and
21 breach of good faith and fair dealing. Accordingly, the Court **AWARDS** Plaintiffs
22 \$100,000.

23 **ii. Specific Performance Requesting Transfer of Assets**

24 Relief in default judgment must not differ in kind from, or exceed in amount,
25 what is demanded in the pleadings. Fed. R. Civ. P. 54(c); *see also Font v. United*
26 *States*, 300 F.2d 400, 413 (9th Cir. 1962). Here, Plaintiffs' Complaint do not request
27 the transfer of Generate assets from Defy Media in their Complaint. (*See generally*
28 *Compl.*) Moreover, Plaintiffs' request to transfer Generate assets is based on

1 statements made by Defendants that it had agreed to transfer those assets to Plaintiffs.
2 (Rath Decl. ¶ 8; Welker Decl. ¶ 8.) However, nowhere does this fact appear in
3 Plaintiffs' original complaint. (*See generally* Compl.)

4 Accordingly, Plaintiffs' asset transfer request is **DENIED**.

5 **iii. Punitive Damages**

6 Under California law, punitive damages are permitted in an action for breach of
7 an obligation not arising from contract. Cal. Civ. Code § 3294(a); *City of Hope Nat'l.*
8 *Med. Ctr. v. Genentech, Inc.*, 43 Cal. 4th 375, 392 (2008) (setting aside a jury award
9 for punitive damages in a breach of contract claim). Punitive damages are specifically
10 not available in breach of contract actions, even where a defendant's breach is willful,
11 fraudulent, or in bad faith. *Walker v. Signal Cos., Inc.*, 84 Cal. App. 3d 982, 998
12 (1978).

13 Given that the crux of the instant dispute flows from a breach of an oral
14 contract, punitive damages are not permitted under California Law. Moreover, even if
15 the dispute was not grounded in an oral contract, the record is insufficient to support a
16 punitive damage award per the factors set forth in *Neal v. Farmers Insurance*
17 *Exchange*, 21 Cal. 3d 910 (1978). Accordingly, Plaintiffs' request for punitive
18 damages is **DENIED**.

19 **V. CONCLUSION**

20 For the foregoing reasons, the Court **GRANTS** Plaintiffs' Motion for Default
21 Judgment against Defendant Defy Media. (ECF No. 18.) The Court **AWARDS**
22 Plaintiffs \$100,000 in compensatory damages.

23
24 **IT IS SO ORDERED.**

25 July 12, 2019

26 
27 **OTIS D. WRIGHT, II**
28 **UNITED STATES DISTRICT JUDGE**